

Expensive lesson for a novice in how *not* to invest

By Roger Boye

During the coin market boom in 1980, a novice collector paid nearly \$1,000 for 30 silver dollars minted in the 1920s.

He wanted to double his money, but that dream vanished last month when he sold the hoard at a loss to pay some bills.

"I feel like I got taken but good," said Rogers [not his real name], who received only \$560 for his coins. "I guess it's just my terrible luck."

Actually, it was more than bad luck, and his errors can serve as lessons for other amateurs. For example, Rogers blundered into his investment with almost no knowledge of coins or the gyrating market. Before buying he should have studied silver dollars by reading a hobby guidebook or price catalogue.

Rogers also failed to go to more than one dealer when he bought and sold, violating another hobby precept. Successful investors usually shop around for the best price, knowing that not all coin shops charge or pay the same.

Also, the pros patronize well-established companies, dealers who know how to identify counterfeit coins and who are members of organizations that promote high business ethics. Rogers said in a letter that for convenience he went to the dealer nearest his home in Chicago.

Even the most upstanding business people cannot guarantee profits, of course. Newcomers such as Rogers often forget that rare coins can and do drop in price. Indeed, the market still is trying to recover from the slump that began four years ago.

Rogers said that he wanted to make a fast profit. But even under ideal market conditions, investors may have to hold their coins for three or more years just to overcome the dealer's "profit margin." The big winners are patient investors, willing and able to wait for market upturns.

Rogers also erred in believing that his coins were prized keepsakes simply because they were old. Supply and demand affect the price much more than age. Rogers learned the hard way that most circulated silver dollars dated 1921 and 1922, for example, are common among collectors.

Similarly, investors should not assume that a coin is rare simply because it is shiny. Experts determine coin condition by checking for minute signs of wear in the design, not by measuring brightness. Even the slightest amount of wear can affect price greatly.

Finally, successful investors always are wary of coins offered for sale at bargain-basement prices. They know the truth of the trite expression, "There's no Santa Claus in numismatics."